

May 19, 2025

Weekly Market Commentary

April's Economic Data is Holding Firm

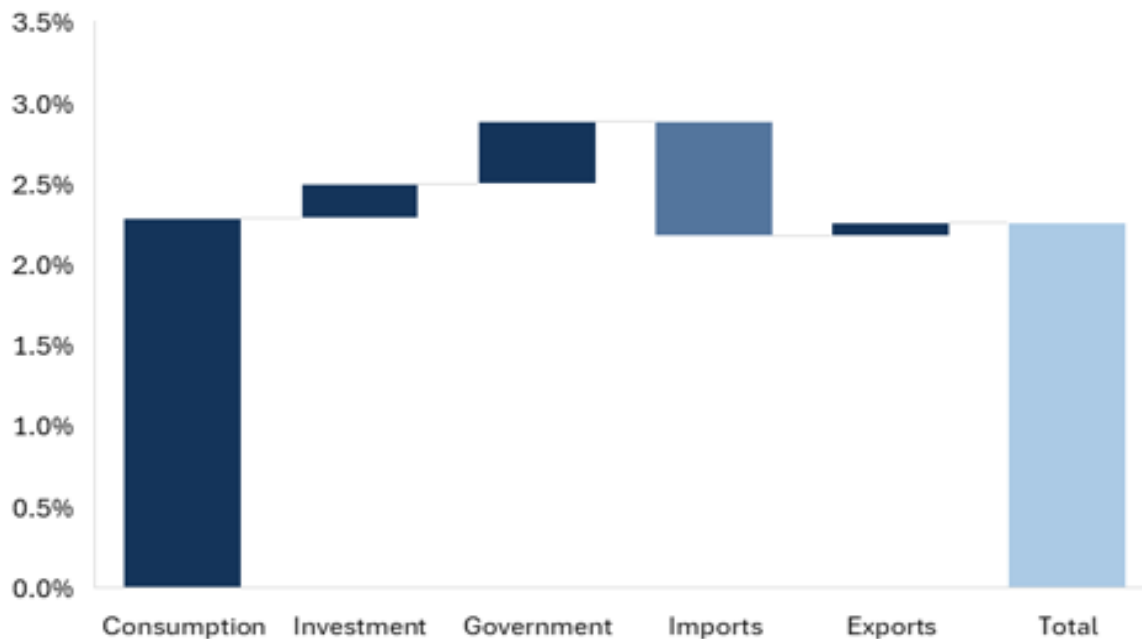
By Michael Crook, CAIA, Chief Investment Officer



One of the big questions coming out of April has been whether Liberation Day, which quickly pushed down consumer and investor sentiment, would show up in April's economic data.

First, we cautioned that the first quarter GDP would likely come in negative due to a front-loading of pre-tariff imports. The initial first quarter GDP release was, in fact, negative, but the second quarter GDP, as measured by the Atlanta Fed GDPNow Index, is back on track at +2.3%. Consumption has notably held up in the face of lower consumer sentiment and equity market volatility.

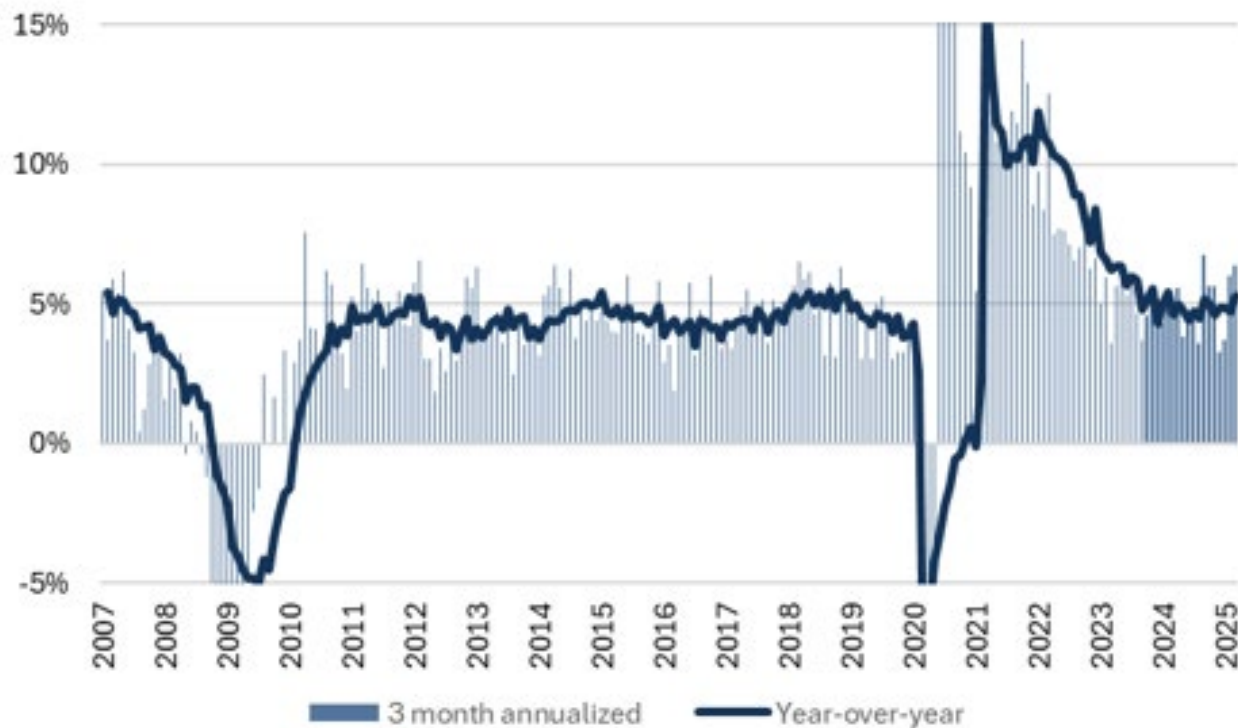
Fig. 1: Atlanta Fed GDP Now Index, (Q2 estimate)



Source: Bloomberg, Mill Creek.

Second, we believe aggregate income growth (the total quantity of wages paid to all employees) is one of the most important economic health indicators for the US. When aggregate incomes are growing, households can pay their mortgages, car payments, and continue to consume at a normal growth rate. Aggregate incomes increased by an annualized 3% in April and exhibited accelerating growth over trailing 3 and 12 month periods (Fig. 2).

Fig. 2: US Index of Aggregate Weekly Payrolls (% growth)



Source: Mill Creek, Bloomberg

Third, the Fed also received some good news regarding inflation. The Consumer Price Index (CPI) fell to 2.3% year-over-year and has increased at a 1.6% annualized rate over the last three months. Core CPI, which excludes food and energy prices, has declined from 3.2% at the end of 2024 to 2.8% today.

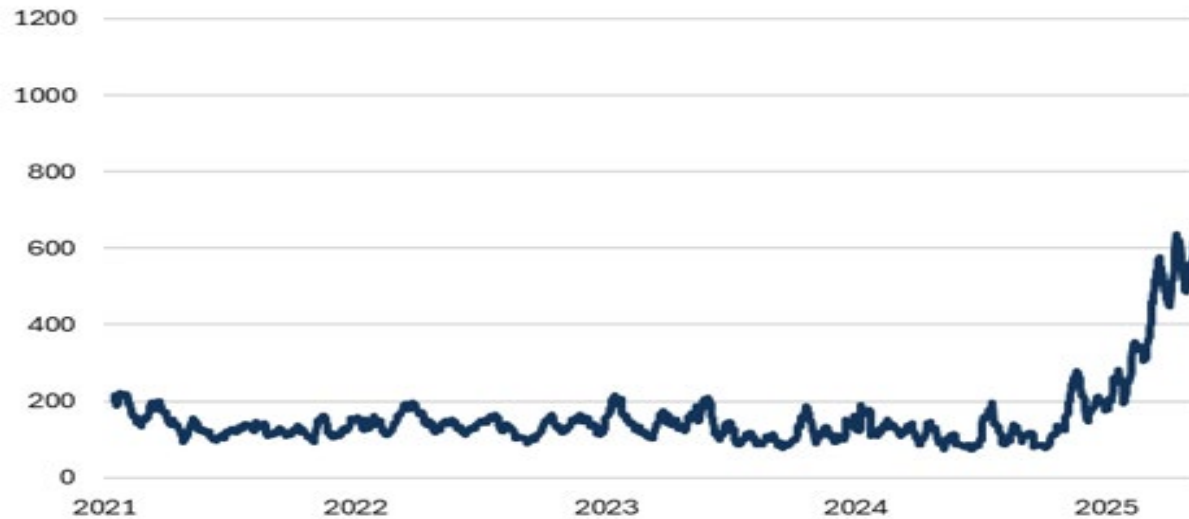
Fig. 3: US Consumer Price Index



Source: Mill Creek, Bloomberg.

While April's economic data presents mostly reassuring news so far, we caution against an "all-clear" mindset. Good news is good news, but economic policy remains highly uncertain (Fig. 4). In addition to fluctuating tariff policy, we are likely to see new policy challenges (e.g., raising the debt ceiling, passing a budget deal, and fiscal deficits) over the remainder of 2025.

Fig. 4: Economic Policy Uncertainty Index



Source: Bloomberg, Mill Creek.

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